

**CITY OF BLUFFDALE, UTAH**

**Financial Statements  
and  
Supplementary Information**

**Year Ended June 30, 2005**

**Hansen, Bradshaw, Malmrose & Erickson**

A Professional Corporation  
CERTIFIED PUBLIC ACCOUNTANTS

**CITY OF BLUFFDALE, UTAH**  
**Financial Statements and Supplementary Information**  
**For the Fiscal Year Ended June 30, 2005**

**TABLE OF CONTENTS**

**FINANCIAL SECTION**

Report of Independent Certified Public Accountants .....	1
Management's Discussion and Analysis .....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets .....	12
Statement of Activities .....	13
Fund Financial Statements:	
Balance Sheet - Governmental Funds .....	14
Statement of Revenues, Expenditures, and Changes in	
Fund Balances - Governmental Funds .....	15
Reconciliation of the Statement of Revenues, Expenditures, and	
Changes in Fund Balances of Governmental Funds to the	
Statement of Activities .....	16
Statement of Revenues, Expenditures and Changes in Fund	
Balance - Budget and Actual - General Fund .....	17
Statement of Revenues, Expenditures and Changes in Fund Balance	
Budget and Actual - Special Improvement District -	
Special Revenue Fund .....	18
Statement of Net Assets - Proprietary Fund .....	19
Statement of Revenues, Expenses and Changes in	
Fund Net Assets - Proprietary Fund .....	20
Statement of Cash Flows - Proprietary Fund .....	21
Statement of Fiduciary Net Assets - Fiduciary Fund .....	22
Notes to Financial Statements .....	23
Combining and Individual Fund Statements and Schedules	
Combining Balance Sheet - Nonmajor Governmental Funds .....	38
Combining Statement of Revenues, Expenditures, and Changes	
in Fund Balances - Nonmajor Governmental Funds .....	39
Schedules of Revenues, Expenditures, and Changes in Fund Balances	
Budget and Actual:	
Redevelopment Agency - Special Revenue Fund .....	40
Capital Projects Fund .....	41

**REPORTS ON COMPLIANCE AND INTERNAL CONTROL**

Report of Independent Certified Public Accountants on Compliance With	
Laws and Regulations and on Internal Control Over Financial Reporting	
Based on an Audit of Basic Financial Statements Performed in Accordance	
with <i>Government Auditing Standards</i> .....	42
Report of Independent Certified Public Accountants on State of Utah	
State Legal Compliance Based on an Audit of Financial Statements	
Performed in Accordance with <i>Government Auditing Standards</i> .....	44
Schedule of Findings .....	46

# Hansen, Bradshaw, Malmrose & Erickson

A Professional Corporation

CERTIFIED PUBLIC ACCOUNTANTS

559 West 500 South  
Bountiful, Utah 84010  
801-296-0200  
Fax 801-296-1218

Lynn Hansen, CPA  
Clarke R. Bradshaw, CPA  
Gary E. Malmrose, CPA  
Edwin L. Erickson, CPA

Michael L. Smith, CPA  
Jason L. Tanner, CPA  
Rick Lifferth, CPA

Members of the  
American Institute  
of Certified Public  
Accountants

Members of the  
Private Company  
Practice Section

## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Honorable Mayor and Members of the City Council  
City of Bluffdale, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Bluffdale, Utah (the City), as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Bluffdale, Utah, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the general fund and the major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2005, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-11 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Hansen, Bradshaw, Malmrose & Erickson, P.C.*

November 16, 2005

## Management's Discussion and Analysis

As management of the City of Bluffdale (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2005.

### Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$8,170,684. The City's assets are comprised of capital assets and funds legally restricted in their use (*restricted net assets*).
- The government's total net assets increased by \$4,345,604 during 2005. The increase in net assets can be attributed to approximately \$3,000,000 of developer contributions, an increase in tax revenue, expending less than the budgeted amount in the general fund, and increases in various fee revenues such as charges for garbage service and also a significant increase in impact fees.
- The unreserved fund balance for the general fund was \$656,209 or approximately 27 percent of total general fund expenditures. The unreserved fund balance for the general fund increased by \$300,795 from the previous year.
- The City's total outstanding long-term liabilities experienced a net increase of \$1,146,000. The increase was due to the issuance of a special improvement bonds in the amount of \$4,370,000 and retiring the interim warrants of \$3,200,000.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Bluffdale's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to cover all or a significant portion of their cost through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, streets and public works, parks and recreation, cemetery, and garbage. Water is the only business-type activities of the City.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also the Redevelopment Agency of Bluffdale City (RDA), a legally separate entity for which the City is financially accountable. Financial information for this *component unit* is blended with the financial information presented for the primary government itself. The government-wide financial statements can be found on pages 12-13 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of the City can be divided into two categories: governmental funds and proprietary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the government fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the two.

The City maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the capital improvements fund, which are considered major funds. Financial information for the other three funds is combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report. The basic governmental fund financial statements can be found on pages 14-16 of this report. The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

***Proprietary funds.*** The City maintains only one proprietary fund, the water fund which is an enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The water fund is a major fund. The basic proprietary fund financial statements can be found on pages 19-21 of this report.

***Fiduciary funds.*** Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The City maintains one fiduciary fund for deposits made by contractors to ensure that building requirements are met. The accounting for fiduciary funds is very similar to the accounting used for proprietary funds. The basic fiduciary fund financial statements can be found on page 22 of this report.

***Notes to the financial statements.*** The notes provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23-37 of this report.

***Other information.*** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The combining statements referred to earlier in connection with non-major funds are presented as supplementary information. Also included are budget to actual comparisons for the special revenue funds.

## **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At June 30, 2005, the City's assets exceeded liabilities by \$8,170,684. The largest portion (61 percent) of the City's net assets are composed of restricted assets, assets that are restricted for a specific purpose. These are impact fees to build future infrastructure for roads, bridges and expansion of the water system. Capital assets are used to provide services to citizens and they are not available for future spending. Although the investment in capital assets are reported net of any related outstanding debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

## City of Bluffdale's Net Assets

	Governmental		Business-type		Total	
	Activities		Activities			
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 6,981,094	\$ 5,267,954	\$ 300,686	\$ (112,979)	\$ 7,281,780	\$ 5,154,975
Capital assets	<u>6,611,143</u>	<u>3,774,730</u>	<u>1,407,204</u>	<u>848,839</u>	<u>8,018,347</u>	<u>4,623,569</u>
Total assets	<u>13,592,237</u>	<u>9,042,684</u>	<u>1,707,890</u>	<u>735,860</u>	<u>15,300,127</u>	<u>9,778,544</u>
Other liabilities	756,072	462,763	82,920	61,768	838,992	524,531
Long-term liabilities outstanding	<u>6,290,451</u>	<u>5,428,933</u>	-	-	<u>6,290,451</u>	<u>5,428,933</u>
Total liabilities	<u>7,046,523</u>	<u>5,891,696</u>	<u>82,920</u>	<u>61,768</u>	<u>7,129,443</u>	<u>5,953,464</u>
Net assets:						
Invested in capital assets, net						
of related debt	41,152	(1,654,203)	1,407,204	848,839	1,448,356	(805,364)
Restricted	<u>4,992,766</u>	<u>3,573,402</u>	-	-	<u>4,992,766</u>	<u>3,573,402</u>
Unrestricted	<u>1,511,796</u>	<u>1,231,789</u>	<u>217,766</u>	<u>(174,747)</u>	<u>1,729,562</u>	<u>1,057,042</u>
Total net assets	<u>\$ 6,545,714</u>	<u>\$ 3,150,988</u>	<u>\$ 1,624,970</u>	<u>\$ 674,092</u>	<u>\$ 8,170,684</u>	<u>\$ 3,825,080</u>

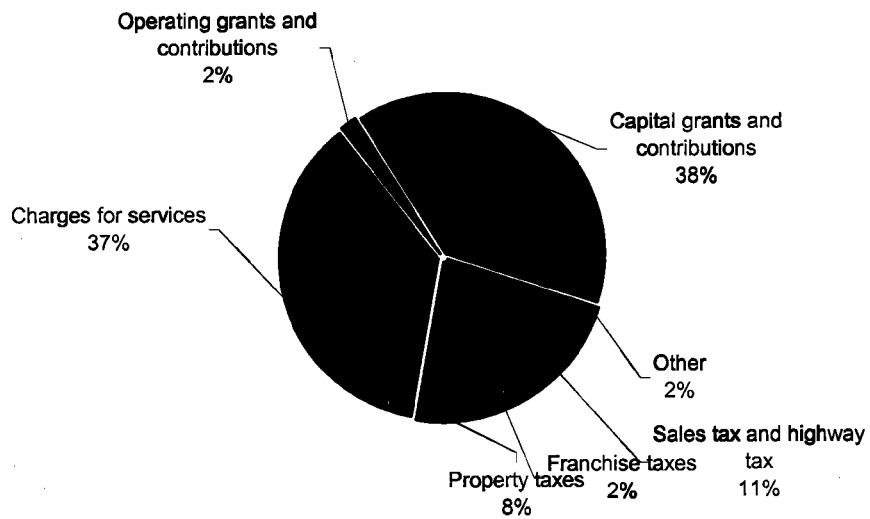
**Governmental activities.** Governmental activities increased the City's net assets by \$3,394,726, accounting for 78 percent of the total growth in net assets. Key elements of this increase are developer contributions, increases in tax revenue and impact fee revenue. Also, expenses within the governmental activities were less than budgeted.



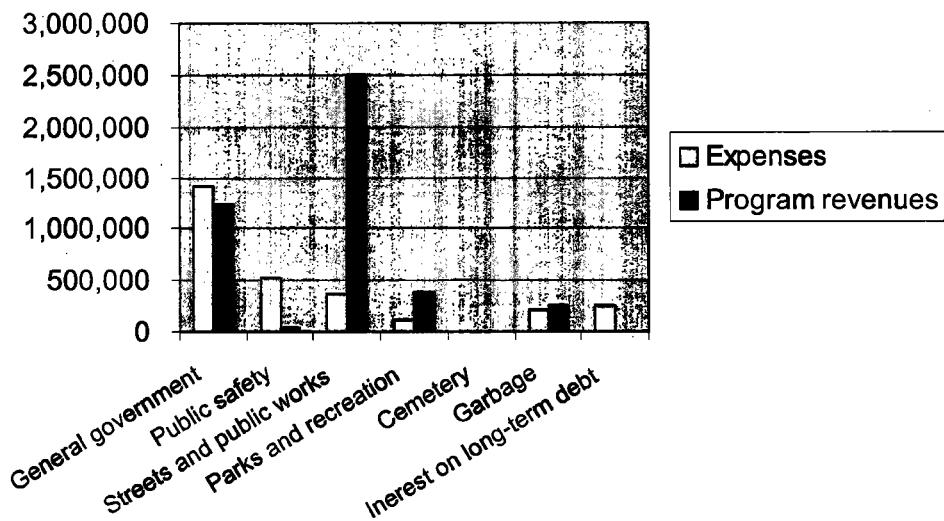
# City of Bluffdale's Change in Net Assets

	Governmental		Business-type		Total	
	Activities		Activities			
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Charges for services	\$ 2,369,846	\$ 1,750,032	\$ 882,917	\$ 643,392	\$ 3,252,763	\$ 2,393,424
Operating grants and contributions	110,893	17,090	-	-	110,893	17,090
Capital grants and contributions	2,497,521	129,732	565,937	-	3,063,458	129,732
General revenues:						
Property taxes	504,127	522,878	-	-	504,127	522,878
Sales tax and highway tax	725,201	706,415	-	-	725,201	706,415
Franchise taxes	120,164	6,956	-	-	120,164	6,956
Other	122,437	98,665	-	2,519	122,437	101,184
Total revenues	<u>6,450,189</u>	<u>3,231,768</u>	<u>1,448,854</u>	<u>645,911</u>	<u>7,899,043</u>	<u>3,877,679</u>
Expenses:						
General government	1,407,782	965,909	-	-	1,407,782	965,909
Public safety	531,875	512,957	-	-	531,875	512,957
Streets and public works	363,126	388,290	-	-	363,126	388,290
Parks and recreation	114,303	101,777	-	-	114,303	101,777
Cemetery	2,494	7,501	-	-	2,494	7,501
Garbage	207,737	208,137	-	-	207,737	208,137
Interest on long-term debt	259,168	111,584	-	-	259,168	111,584
Water	-	-	666,954	615,140	666,954	615,140
Total expenses	<u>2,886,485</u>	<u>2,296,155</u>	<u>666,954</u>	<u>615,140</u>	<u>3,553,439</u>	<u>2,911,295</u>
Increase in net assets before						
Transfers	3,563,704	935,613	781,900	30,771	4,345,604	966,384
Transfers	<u>(168,978)</u>	<u>(101,600)</u>	<u>168,978</u>	<u>101,600</u>	<u>-</u>	<u>-</u>
Increase in net assets	3,394,726	834,013	950,878	132,371	4,345,604	966,384
Net assets, beginning	<u>3,150,988</u>	<u>2,316,975</u>	<u>674,092</u>	<u>541,721</u>	<u>3,825,080</u>	<u>2,858,696</u>
Net assets, ending	<u>\$ 6,545,714</u>	<u>\$ 3,150,988</u>	<u>\$ 1,624,970</u>	<u>\$ 674,092</u>	<u>\$ 8,170,684</u>	<u>\$ 3,825,080</u>

**Revenues by Source-Governmental Activities 2005**



**Expenses and Program Revenues-Governmental Activities 2005**



**Business-type activities.** Business-type activities increased the City's net assets by \$950,878, accounting for 22 percent of the total growth in the government's net assets. The key elements of this increase are capital contributions of infrastructure from new subdivisions constructed within the City. This amounted to 565,939 along with a transfer from the capital projects fund in the amount of \$168,978 to finance the purchase of water stock. The water fund is the only business-type activity. Charges for services were the only source of revenue in the water fund.

### **Financial Analysis of the Government's Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$6,101,071 an increase of \$1,705,806 in comparison with prior year. Of the ending fund balance, 18 percent (\$1,108,305) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to pay debt service (\$1,260,026), 2) to pay for construction of capital assets (\$3,732,740).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$656,209 while total fund balance reached \$1,914,472. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 27 percent of total general fund expenditures, while total fund balance represents 79 percent of that same amount.

The City's total general fund balance experienced a \$461,561 increase during the current fiscal year. The increase is due to an excess of revenues over expenditures in the current year. Unrestricted fund balance increased \$286,442 in comparison with prior year. These funds are available to spend at the City's discretion.

The capital projects fund has a total fund balance of \$3,190,094. Of that amount \$2,788,579 is reserved for 1) construction of capital assets funded by impact fees (\$2,474,477) to pay debt service (\$314,102) and 3) the balance \$401,515 for various capital projects at the City's discretion. The fund balance increased \$328,635 from the previous year.

**Proprietary funds.** The City's proprietary fund provides the same type of information found in the government-wide financial statements business-type activities, but in more detail.

Net assets of the Water fund at the end of the year were \$1,624,970. Net assets increased \$950,978 from the preceding year. The majority of the increase was due to capital contributions on behalf of developers of new subdivisions constructed within the City.

### General Fund Budgetary Highlights

The original budget and the final amended budget overall totals were same in total except for minor adjustments that were made from department to department budgets during the course of the year to more accurately reflect the budgetary needs of those departments.

### Capital Assets and Debt Administration

**Capital assets.** The City's investment in capital assets for its governmental and business type activities as of June 30, 2005 amounts to \$8,018,347 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment, distribution and collection systems, and construction in process. The City's capital assets nearly doubled from the preceding year. The City has completed a building that will serve as a fire station and also as temporary City Hall. The new building along with some land that was purchased for a future City Park that is partially developed accounted for the increase in capital assets.

**Long-term debt.** At the end of the current fiscal year, the City had \$6,591,000 in outstanding long-term debt.

#### City of Bluffdale's Long-term Debt

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
SID revenue bonds	\$ 4,370,000	\$ 3,200,000	\$ -	\$ -	\$ 4,370,000	\$ 3,200,000
Sales tax revenue bonds	2,110,000	2,110,000	-	-	2,110,000	2,110,000
Capital leases	90,000	119,000	-	-	90,000	119,000
Vacation payable	21,000	16,000	-	-	21,000	16,000
Total	<u>\$ 6,591,000</u>	<u>\$ 5,445,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,591,000</u>	<u>\$ 5,445,000</u>

The City's total debt increased by \$1,146,000 during the fiscal year 2005. The City issued \$4,370,000 in special improvement bonds and retired the outstanding interim warrants of the special improvement district. The bonds were issued to build infrastructure within the special improvement area and will be funded by property owners within the special improvement area.

#### **Economic Factors and the Next Year's Budgets and Rates**

As part of the budget process each year the City performs an evaluation to project future revenues for the coming fiscal year. A major aspect of this evaluation is projecting property tax and sales tax revenues. Tax revenue is expected to maintain slow growth in the future year. The City has adopted an assessment within one of its special improvement districts. The assessment will be used to construct roads and install other necessary infrastructure necessary such as water, sewer, and storm sewer lines. The cost of the capital improvements is expected to be \$4,370,000 and bonds were issued in that amount. The City is looking forward to new development and is taking progressive steps to ensure that the community is developed in the most responsible manner possible.

#### **Requests for Information**

The financial report is designed to provide a general overview of the City for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Administrative Services Director, Brent Bluth, 14475 S Redwood Road, Bluffdale Utah 84065, or email @ [brentbluth@bluffdale.com](mailto:brentbluth@bluffdale.com).

**CITY OF BLUFFDALE  
STATEMENT OF NET ASSETS  
JUNE 30, 2005**

	Governmental Activities	Business-type Activities	TOTAL
<b>ASSETS</b>			
Cash and cash equivalents	\$ 4,723,182	\$ -	\$ 4,723,182
Receivables			
Property taxes	569,713	-	569,713
Accounts	34,922	113,710	148,632
Internal balances	142,353	(142,353)	-
Due from other governments	44,217	-	44,217
Bond issuance costs	199,709	-	199,709
Investment in water stock and rights	-	329,329	329,329
Investment in common stock	6,972	-	6,972
Restricted cash	1,260,026	-	1,260,026
Land	2,569,814	4,703	2,574,517
Buildings	1,751,411	-	1,751,411
Machinery and equipment	821,415	62,950	884,365
Distribution and collection systems	-	1,963,030	1,963,030
Construction in progress	-	-	-
Accumulated depreciation	(792,974)	(623,479)	(1,416,453)
Infrastructure	2,261,477	-	2,261,477
<b>Total assets</b>	<b>13,592,237</b>	<b>1,707,890</b>	<b>15,300,127</b>
<b>LIABILITIES</b>			
Accounts payable	237,789	68,120	305,909
Accrued interest payable	191,009	-	191,009
Accrued liabilities	26,283	1,652	27,935
Bonds payable			
Due within one year	265,000	-	265,000
Due in more than one year	6,215,000	-	6,215,000
Long-term debt - current portion	35,991	-	35,991
Compensated absences	21,451	13,148	34,599
Long-term debt	54,000	-	54,000
<b>Total liabilities</b>	<b>7,046,523</b>	<b>82,920</b>	<b>7,129,443</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of debt	41,152	1,407,204	1,448,356
Restricted for			
Debt service	1,260,026	-	1,260,026
Roads and bridges	2,861,731	-	2,861,731
Water	351,067	-	351,067
Storm sewer	519,942	-	519,942
Unrestricted	1,511,796	217,766	1,729,562
<b>Total net assets</b>	<b>\$ 6,545,714</b>	<b>\$ 1,624,970</b>	<b>\$ 8,170,684</b>

The notes to the financial statements are an integral part of this statement.

**CITY OF BLUFFDALE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2005**

	Program Revenues					Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net Governmental Activities	Business-type Activities
<b>Governmental activities</b>						
General government	\$ 1,407,782	\$ 1,131,827	\$ 104,192	\$ -	\$ (171,763)	\$ -
Public safety	531,875	38,442	2,302	-	(491,131)	-
Streets and public works	363,126	564,145	-	2,497,521	2,698,540	-
Parks and recreation	114,303	374,507	4,399	-	264,603	-
Cemetery	2,494	3,500	-	-	1,006	-
Garbage	207,737	257,425	-	-	49,688	-
Interest on long-term debt	259,168	-	-	-	(259,168)	-
<b>Total governmental activities</b>	<b>2,886,485</b>	<b>2,369,846</b>	<b>110,893</b>	<b>2,497,521</b>	<b>2,091,775</b>	<b>-</b>
<b>Business-type activities</b>						
Water	666,954	882,917	-	565,937	-	781,900
<b>Total business-type activities</b>	<b>666,954</b>	<b>882,917</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>781,900</b>
<b>General revenues</b>						
Taxes						
Property taxes					504,127	504,127
Franchise taxes					120,164	120,164
General sales taxes and highway sales taxes					725,201	725,201
Interest income					113,627	113,627
Miscellaneous					8,810	8,810
Transfers					(168,978)	168,978
<b>Total general revenues and transfers</b>					<b>1,302,951</b>	<b>1,471,929</b>
Change in net assets					3,394,726	950,878
Net assets - beginning					3,150,988	4,345,604
Net assets - ending					<b>6,545,714</b>	<b>3,825,080</b>
					<b>\$ 1,624,970</b>	<b>\$ 8,170,684</b>

The notes to the financial statements are an integral part of this statement.

City of Bluffdale  
June 30, 2005

Balance Sheet -  
Governmental Funds

	General	SID Special Revenue Fund	Capital Projects Fund	Other Governmental Funds	Totals Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 1,720,098	\$ 190,059	\$ 2,801,182	\$ 11,843	\$ 4,723,182
Restricted cash and investments	-	945,924	314,102	-	1,260,026
Receivables:					
Sales, property and franchise taxes	569,713	-	-	-	569,713
Accounts	34,922	-	-	-	34,922
Class C road funds	44,217	-	-	-	44,217
Due from other funds	144,230	-	142,353	-	286,583
Investment in common stock	6,972	-	-	-	6,972
<b>Total assets</b>	<b>\$ 2,520,152</b>	<b>\$ 1,135,983</b>	<b>\$ 3,257,637</b>	<b>\$ 11,843</b>	<b>\$ 6,925,615</b>
<b>LIABILITIES AND FUND BALANCE</b>					
Liabilities:					
Accounts payable	\$ 163,155	\$ -	\$ 67,543	\$ 7,091	\$ 237,789
Accrued liabilities	26,283	-	-	-	26,283
Deferred revenue - property taxes	416,242	-	-	-	416,242
Due to other funds	-	-	-	144,230	144,230
<b>Total liabilities</b>	<b>605,680</b>	<b>-</b>	<b>67,543</b>	<b>151,321</b>	<b>824,544</b>
Fund balances:					
Reserved:					
Reserved for roads and bridges	1,258,263	-	1,603,468	-	2,861,731
Reserved for water	-	-	351,067	-	351,067
Reserved for retirement of debt	-	-	314,102	-	314,102
Reserved for storm sewer	-	-	519,942	-	519,942
Reserved for debt service and construction	-	945,924	-	-	945,924
Unreserved, reported in					
General fund	656,209	-	-	-	656,209
Special revenue funds	-	190,059	-	(150,978)	39,081
Capital projects fund	-	-	401,515	-	401,515
Permanent fund	-	-	-	11,500	11,500
<b>Total fund balances</b>	<b>1,914,472</b>	<b>1,135,983</b>	<b>3,190,094</b>	<b>(139,478)</b>	<b>6,101,071</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,520,152</b>	<b>\$ 1,135,983</b>	<b>\$ 3,257,637</b>	<b>\$ 11,843</b>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

6,611,143

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

615,951

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

(6,782,451)

Net assets of governmental activities

\$ 6,545,714

The accompanying notes are an integral part of the financial statements.



City of Bluffdale  
Year Ended June 30, 2005

Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds

	General	SID Special Revenue Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Taxes	\$1,145,870	\$ -	\$ -	\$ -	\$ 1,145,870
Licenses and permits	658,708	-	-	-	658,708
Charges for services	161,638	-	977,094	-	1,138,732
Intergovernmental	304,139	-	-	-	304,139
Garbage	257,425	-	-	-	257,425
Fines and forfeitures	311,481	-	-	-	311,481
Cemetery	3,500	-	-	-	3,500
Interest	37,743	8,924	66,793	167	113,627
Miscellaneous	8,810	-	-	-	8,810
<b>Total revenues</b>	<b>2,889,314</b>	<b>8,924</b>	<b>1,043,887</b>	<b>167</b>	<b>3,942,292</b>
<b>Expenditures:</b>					
General government	1,258,163	55,292	-	28,136	1,341,591
Public safety	542,402	-	-	-	542,402
Streets and public works	306,635	-	-	-	306,635
Parks and recreation	110,322	-	-	-	110,322
Cemetery	2,494	-	-	-	2,494
Garbage	207,737	-	-	-	207,737
Capital outlay	-	-	401,422	-	401,422
Debt service:					
Bond issuance costs	-	144,626	-	-	144,626
Principal retirement	-	3,234,963	28,802	-	3,263,765
Interest and fiscal charges	-	35,287	116,050	-	151,337
<b>Total expenditures</b>	<b>2,427,753</b>	<b>3,470,168</b>	<b>546,274</b>	<b>28,136</b>	<b>6,472,331</b>
<b>Change in fund balance</b>	<b>461,561</b>	<b>(3,461,244)</b>	<b>497,613</b>	<b>(27,969)</b>	<b>(2,530,039)</b>
<b>Other financing sources (uses):</b>					
Bond proceeds	-	4,404,823	-	-	4,404,823
Transfers (out)	-	-	(168,978)	-	(168,978)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>4,404,823</b>	<b>(168,978)</b>	<b>-</b>	<b>4,235,845</b>
<b>Net change in fund balance</b>	<b>461,561</b>	<b>943,579</b>	<b>328,635</b>	<b>(27,969)</b>	<b>1,705,806</b>
<b>Fund balance (deficit) - beginning of year</b>	<b>1,452,911</b>	<b>192,404</b>	<b>2,861,459</b>	<b>(111,509)</b>	<b>4,395,265</b>
<b>Fund balance (deficit) - end of year</b>	<b>\$1,914,472</b>	<b>\$1,135,983</b>	<b>\$3,190,094</b>	<b>\$ (139,478)</b>	<b>\$ 6,101,071</b>

The accompanying notes are an integral part of the financial statements.

**CITY OF BLUFFDALE**  
**Reconciliation of the Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances of Governmental Funds**  
**To the Statement of Activities**  
**For the Year Ended June 30, 2005**

Amounts reported for governmental activities in the statement of activities (page 13) are different because:

Net change in fund balances - total governmental funds (page 15)	\$1,705,806
--	-------------

Governmental funds report capital outlays as expenditures.

However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays and capital contributions exceeded depreciation in the current period.

	2,801,589
--	-----------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

	10,376
--	--------

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transactions, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

	( 1,009,670)
--	--------------

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.

	( <u>113,375</u> )
--	--------------------

Change in net assets of governmental activities (page 13)	<u>\$3,394,726</u>
---	--------------------

The notes to the financial statements are an integral part of this statement.

**City of Bluffdale**  
**Year Ended June 30, 2005**

**Statement of Revenues, Expenditures,  
and Changes in Fund Balances - Budget and Actual  
General Fund**

	Original Budget	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 1,008,066	\$ 979,741	\$ 1,145,870	\$ 166,129
Licenses and permits	396,500	621,800	658,708	36,908
Charges for service	157,100	181,260	161,638	(19,622)
Intergovernmental	364,202	260,402	304,139	43,737
Garbage	225,000	250,000	257,425	7,425
Fines and forfeitures	222,000	307,000	311,481	4,481
Cemetery	3,500	3,500	3,500	-
Interest	11,000	46,000	37,743	(8,257)
Miscellaneous	3,500	61,800	8,810	(52,990)
<b>Total revenues</b>	<b>2,390,868</b>	<b>2,711,503</b>	<b>2,889,314</b>	<b>177,811</b>
<b>Expenditures:</b>				
Current operating:				
General government	1,208,714	1,264,154	1,258,163	5,991
Public safety	677,803	756,203	542,402	213,801
Streets and public works	354,288	302,709	306,635	(3,926)
Parks and recreation	107,195	101,047	110,322	(9,275)
Garbage	146,040	191,040	207,737	(16,697)
Cemetery	4,838	3,750	2,494	1,256
<b>Total expenditures</b>	<b>2,498,878</b>	<b>2,618,903</b>	<b>2,427,753</b>	<b>191,150</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(108,010)</b>	<b>92,600</b>	<b>461,561</b>	<b>368,961</b>
<b>Other financing sources (uses):</b>				
Transfers out	(70,600)	(92,600)	-	92,600
<b>Total other financing sources (uses)</b>	<b>(70,600)</b>	<b>(92,600)</b>	<b>-</b>	<b>92,600</b>
<b>Net change in fund balance</b>	<b>(178,610)</b>	<b>-</b>	<b>461,561</b>	<b>461,561</b>
<b>Fund balance - beginning of year</b>	<b>1,452,911</b>	<b>1,452,911</b>	<b>1,452,911</b>	<b>-</b>
<b>Fund balance - end of year</b>	<b>\$ 1,274,301</b>	<b>\$ 1,452,911</b>	<b>\$ 1,914,472</b>	<b>\$ 461,561</b>

The accompanying notes are an integral part of the financial statements.

City of Bluffdale  
Year Ended June 30, 2005

Special Improvement District - Special Revenue Fund  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance - Budget and Actual

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Fees	\$ 250,000	\$ 250,000	\$ -	\$ (250,000)
Interest	-	-	8,924	8,924
Total revenues	250,000	250,000	8,924	(241,076)
Expenditures				
General government	25,000	-	55,292	(55,292)
Debt service	250,000	3,450,000	3,414,876	35,124
Total expenditures	275,000	3,450,000	3,470,168	(20,168)
Excess (deficiency) of revenues over (under) expenditures	(25,000)	(3,200,000)	(3,461,244)	(261,244)
Other financing sources (uses)				
Bond proceeds	325,000	3,525,000	4,404,823	879,823
Transfer in (out)	(300,000)	(325,000)	-	325,000
Total other financing sources	25,000	3,200,000	4,404,823	1,204,823
Net change in fund balance	-	-	943,579	943,579
Fund balance at beginning of year	192,404	192,404	192,404	-
Fund balance at end of year	\$ 192,404	\$ 192,404	\$ 1,135,983	\$ 943,579

The accompanying notes are an integral part of the financial statements

City of Bluffdale  
June 30, 2005

Statement of Net Assets  
Proprietary Fund

	Water Fund
<b><u>ASSETS</u></b>	
Current assets	
Cash and cash equivalents	\$ -
Accounts receivable, net	113,710
Total current assets	113,710
Investment in water rights and stock	329,329
Property, plant and equipment	
Land	4,703
Water distribution system	1,963,030
Machinery and equipment	62,950
Accumulated depreciation	(623,479)
Net property, plant and equipment	1,407,204
Total Assets	1,850,243
<b><u>LIABILITIES</u></b>	
Current liabilities	
Accounts payable	68,120
Due to other funds	142,353
Accrued liabilities	1,652
Compensated absence payable	13,148
Total current liabilities	225,273
Long term liabilities	-
Total Liabilities	225,273
<b><u>NET ASSETS</u></b>	
Invested in capital assets, net of related debt	1,407,204
Unrestricted	217,766
Total Net Assets	\$ 1,624,970

The notes to the financial statements are an integral part of this statement.

**City of Bluffdale**  
**Year ended June 30, 2005**

**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Fund**

	Water Fund
Operating revenues	
Water sales	\$ 824,506
Total operating revenues	<u>824,506</u>
Operating expenses	
Water purchases	375,459
Wages and fringe benefits	144,730
Maintenance and engineering	68,020
Office supplies, postage and insurance	11,242
Depreciation	66,198
Other	1,305
Total operating expenses	<u>666,954</u>
Operating income (loss)	<u>157,552</u>
Nonoperating revenues (expenses)	
Connection and service fees	<u>58,411</u>
Income before contributions and transfers	215,963
Capital contributions	565,937
Transfers in	<u>168,978</u>
Change in net assets	950,878
Total net assets, beginning of year	<u>674,092</u>
Total net assets, end of year	<u><u>\$ 1,624,970</u></u>

The notes to the financial statements are an integral part of this statement.

**City of Bluffdale**  
**Year ended June 30, 2005**

**Statement of Cash Flows**  
**Proprietary Fund**

	Water Fund
Cash flows from operating activities:	
Cash received from customers (including cash deposits)	\$ 853,514
Cash paid to suppliers	(440,927)
Cash paid to employees	(138,677)
Net cash provided (used) by operating activities	<u>273,910</u>
Cash flows from non-capital financing activities:	
Transfers from other funds	168,978
Decrease in amounts due to other funds	(273,693)
Connection and impact fees	58,411
Net cash provided by non-capital financing activities	<u>(46,304)</u>
Cash flow from capital and related financing activities:	
Purchase of capital assets and water stock	(227,606)
Net cash used by capital and related financing activities	<u>(227,606)</u>
Cash flow from investing activities:	<u>-</u>
Net increase in cash and cash equivalents	-
Cash and cash equivalents at beginning of year	-
Cash and cash equivalents at end of year	<u>\$ -</u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 157,552
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	66,198
Decrease in accounts receivable	29,008
Increase in accounts payable	15,099
Increase in accrued liabilities	6,053
Total adjustments	<u>116,358</u>
Net cash provided by operating activities	<u>\$ 273,910</u>
Noncash investing, capital and financing activities:	
Contribution of water lines	\$ 565,937

The notes to the financial statements are an integral part of this statement.

City of Bluffdale  
Statement of Net Assets  
Fiduciary Fund  
June 30, 2005

	Escrow Fund Total
<b>ASSETS</b>	
Cash and cash equivalents	\$ 107,820
Total assets	<u>107,820</u>
<b>LIABILITIES</b>	
Construction and improvement bonds	107,820
Total liabilities	<u>107,820</u>
<b>NET ASSETS</b>	
Unrestricted	-
Total net assets	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.



**CITY OF BLUFFDALE**  
**Notes to the Financial Statements**  
**June 30, 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The basic financial statements of City of Bluffdale (the City) have been prepared in conformity with accounting principles (GAAP) generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles.

Financial reporting is based upon all GASB pronouncements, as well as the FASB Statements and Interpretations, APB Opinions and Accounting Research Bulletins that were issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. FASB pronouncements issued after November 30, 1989 are not followed in the preparation of the accompanying financial statements.

The City of Bluffdale was incorporated in 1978. The City operates under a Council-Mayor form of government. As required by GAAP, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization or there is a potential for that organization to provide specific financial benefits to or impose specific financial burdens on the City. The City is also considered to be financially accountable for an organization if that organization is fiscally dependent (i.e., it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval from the City). The component unit discussed below is included as part of the City's reporting entity as a blended component unit.

The Redevelopment Agency of Bluffdale City (RDA) was established to prepare and carry out plans to improve, rehabilitate and redevelop blighted areas within the City. The RDA is governed by a board of trustees composed of the City Mayor and members of the City Council. Although it is a legally separate entity from the City, the RDA is reported as if it were part of the primary government because of the City's ability to impose its will upon the operations of the RDA. The RDA is included in these financial statements as the Redevelopment Agency Special Revenue Fund. Separate financial statements are not issued for the RDA.

**CITY OF BLUFFDALE**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2005**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those which are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the City are reported as a reduction of the related liability, rather than an expenditure in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

**CITY OF BLUFFDALE**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2005**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Sales taxes, use taxes, franchise taxes, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes are measurable as of the date levied (assessed) and are recognized as revenues when they become available. Available means when due, or past due, and received within the current period or collected soon enough thereafter (within 60 days) to be used to pay liabilities of the current period. All other revenues are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of the major capital facilities of the City (other than those financed by proprietary funds).

The SID Special Revenue Fund is used to account for financial resources and activities of the City's Special Improvement District.

The City reports the following major proprietary fund:

The Water Fund accounts for the activities of the City's water production, treatment and distribution operations.

Additionally, the City reports a fiduciary fund to account for construction and improvement bonds received from developers.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments to the General Fund by various enterprise funds for the providing of administrative and billing services for such funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of all enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds includes the cost of sales and services. Operating expenses for enterprise funds includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**CITY OF BLUFFDALE**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2005**

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, and Net Assets or Equity**

**Cash, Deposits and Investments** Cash includes cash on hand, demand deposits with banks and other financial institutions, and deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts. City policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the Utah Public Treasurer's Investment Fund and other investments allowed by the State of Utah's Money Management Act. Investments are reported at fair value. The State Treasurer's Investment Fund operates in accordance with state laws and regulations. The reported value of the Fund is the same as the fair value of the Fund shares.

Cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Investments with maturities of three months or less when purchased meet this definition.

**Receivables and Payables** Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to or due from other funds". In the Water fund, the City records utility revenues billed to customers when meters are read on a monthly basis. Unbilled service accounts receivable at June 30, 2005 are not material and are not recorded.

**Inventories and Prepaid Items** Inventories of materials and supplies in the proprietary funds, consisting principally of materials used in the repair of the transmission, distribution, collection and treatment systems, are valued at cost and accounted for on a first-in, first-out basis (FIFO). Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Capital Assets** Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an individual cost of more than \$5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

As permitted by GASB Statement No. 34, the City has not retroactively recorded infrastructure assets.

**CITY OF BLUFFDALE**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2005**

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Assets, Liabilities, and Net Assets or Equity (Continued)**

Property, plant, and equipment is depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	10 to 50 years
Infrastructure	20 to 50 years
Machinery and equipment	5 to 7 years
Furniture and fixtures	5 to 10 years
Water distribution system	20 years

**Compensated Absences** For governmental funds amounts of vested or accumulated vacation leave and comp time that are not expected to be liquidated with expendable available financial resources are reported as liabilities in the government-wide statement of net assets and as expenses in the government-wide statement of activities. No expenditures are reported for these amounts in the fund financial statements. Vested or accumulated vacation leave and comp time of proprietary funds is recorded as an expense and a liability of those funds as the benefits accrue to the employees and are thus recorded in both the government-wide financial statements and the individual fund financial statements. Sick pay amounts are charged to expenditures when incurred. Employees may accumulate sick leave without limitation. Accumulated vacation leave is paid to employees upon termination or retirement.

**Long-Term Obligations** In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the applicable debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Restricted Assets** Restricted assets are comprised of cash restricted for future payments of principal and interest on debt service as well as unexpended portions of bonds issued for capital construction purposes.

**CITY OF BLUFFDALE**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2005**

2. **RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets**

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities as reported in the government-wide statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

Capital related items:

When capital assets (property, plant and equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the City as a whole.

Cost of capital assets	\$7,404,117
Accumulated depreciation	<u>( 792,974)</u>
Total difference	<u><u>\$6,611,143</u></u>

Long-term debt transactions:

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities in the fund financials. All liabilities (both current and long-term) are reported in the statement of net assets. Balances at June 30, 2005 were:

Sales Tax Revenue bonds	\$2,110,000
Special Improvement District bonds	4,370,000
Capital lease obligations	89,991
Interest payable on long-term debt	191,009
Compensated absences	<u>21,451</u>
Total difference	<u><u>\$6,782,451</u></u>

**CITY OF BLUFFDALE**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2005**

2. **RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)**

**Explanation of Certain Differences Between Governmental Fund Operating Statements and the Statement of Net Activities**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the net difference, the elements of this difference are as follow:

Capital outlay	\$2,945,389
Depreciation expense	<u>143,800</u>
Net difference as reported	<u>\$2,801,589</u>

3. **STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information**

1. For the fiscal year beginning July 1, the Mayor submits a proposed budget to the City Council by the first City Council meeting in May. The budget includes proposed expenditures and the means of financing them.
2. By passage of a resolution, the budget is legally enacted on or before June 15, after a public hearing has been held.
3. Once adopted, the budget can be amended by subsequent City Council action. The budget officer is authorized to transfer budgeted amounts between departments within any fund; however, the City Council must approve any revisions that alter the total expenditures of any fund. Increased appropriations require a public hearing to amend the budget.
4. Interim adjustments of estimated revenues and appropriations, during the year ended June 30, 2005, have been included in the final budget approved by the City Council, as presented in the basic financial statements.
5. As determined by state law, the level by which expenditures may not legally exceed appropriations is the total departmental budgets within a given fund.
6. Unencumbered appropriations lapse at the end of each fiscal year.

Annual budgets for the General Fund, all Special Revenue Funds and the Capital Projects Fund were legally adopted by the City and are prepared on the modified-accrual method of accounting.

Although Utah State law requires the initial preparation of budgets for all City funds (both governmental and proprietary), it only requires the reporting of actual versus such budgets for governmental funds.

**CITY OF BLUFFDALE**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2005**

3. **STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)**

**Budgetary Information (Continued)**

The City Council made several supplemental budgetary appropriations throughout the year, including increases and decreases in the general fund. The expenditure appropriations for the fund increased \$120,025. The changes were generally spread among the functions and were for general operations items.

State law requires that departments or funds do not exceed the amounts appropriated in the final adopted budget. During the year ended June 30, 2005, three departments in the general fund exceeded budgeted expenditures as well as one department in the Special Improvement District special revenue fund and one department in the Redevelopment Agency special revenue fund.

**Tax Revenues**

Property taxes are collected by the Salt Lake County Treasurer and remitted to the City in two to three installments in November, December, and January of each fiscal year and a final settlement by March 31st. Taxes are levied and are due and payable on November 1st and delinquent after November 30th of each year at which time they become liens if not paid. An accrual of delinquent current and prior year's property taxes beyond that which was received within 60 days after fiscal year end has not been made, as the amounts are not deemed to be material. An accrual for current year property taxes estimated to be collected the following November and December is made each year.

Sales taxes are collected by the Utah State Tax Commission and remitted to the City monthly. An accrual has been made for all taxes received by the State for the period ended June 30th and thus due and payable to the City.

Franchise taxes are charged to various utility companies doing business with the City including telephone, cable television, gas utility, and electric utility companies. The fees are remitted on a monthly, quarterly, semi-annual, or annual basis. An accrual has not been made for fees due and payable to the City at June 30th as the amounts are not deemed to be material.

4. **DETAILED NOTES FOR ALL FUNDS**

**Deficit Fund Equity**

The Redevelopment Agency Special Revenue Fund had a deficit fund balance of \$150,978 at June 30, 2005. This deficit will be eliminated by increased revenues or transfers in future years.

**Cash and Investments**

Listed below is a summary of the cash and temporary cash investment portfolio of the City as of June 30, 2005. Investments are governed by the Utah Money Management Act. At June 30, 2005, the carrying amount of the City's demand deposits was \$595,966 and the bank balance was \$889,170. Of the bank balance, \$100,000 was covered by federal depository insurance and \$789,170 was uninsured and uncollateralized.



**CITY OF BLUFFDALE**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2005**

**4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)**

The following table provide information about the credit and market risks associated with the City's temporary cash investments.

**Category 1** - includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name.

**Category 2** - includes uninsured and unregistered investments for which the securities are held by the counter party's trust department or agent in the City's name.

**Category 3** - includes uninsured and unregistered investments for which the securities are held by the counter party or by its trust department or agent but not in the City's name.

	<u>Category</u>			<u>Reported Amount/ Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
U.S. Government Securities	\$ ---	\$1,260,026	\$ ---	\$1,260,026
Investments not subject to categorization:				
State Public Treasurer's Investment Fund	---	---	---	<u>4,127,216</u>
Total investments	<u>\$ ---</u>	<u>\$1,260,026</u>	<u>\$ ---</u>	<u>\$5,387,242</u>

The deposits and investments described above are included on the government-wide statement of net assets as follows:

Cash and cash equivalents	\$4,723,182
Restricted cash	<u>1,260,026</u>
	<u>\$5,983,208</u>

Receivables as of year end for the City's individual major funds and nonmajor funds, in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Water</u>	<u>Total</u>
Receivables:			
Taxes	\$569,713	\$ ---	\$569,713
Accounts and other	34,922	122,710	157,632
Intergovernmental	<u>44,217</u>	<u>---</u>	<u>44,217</u>
Gross receivables	648,852	122,710	771,562
Less: allowance for uncollectibles	---	( 9,000)	( 9,000)
Net total receivables	<u>\$648,852</u>	<u>\$113,710</u>	<u>\$762,562</u>

Revenues of the Water Fund are reported net of uncollectible amounts. Total uncollectible amounts related to revenues of the current period were \$-0-.

**CITY OF BLUFFDALE**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2005**

**4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)**

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the government funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Property taxes receivable (General Fund)	<u>\$416,242</u>	\$ ---
Total deferred/unearned revenue for governmental funds	<u><u>\$416,242</u></u>	<u><u>\$ ---</u></u>

**Capital Assets**

Capital asset activity for the year ended June 30, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Land	\$1,491,430	\$1,078,384	\$ ---	\$2,569,814
Buildings	219,624	1,531,787	---	1,751,411
Infrastructure	224,018	2,037,459	---	2,261,477
Machinery and equipment	729,905	91,510	---	821,415
Construction in progress	<u>1,758,927</u>	<u>---</u>	<u>1,758,927</u>	<u>---</u>
	<u>4,423,904</u>	<u>4,739,140</u>	<u>1,758,927</u>	<u>7,404,117</u>
Less: accumulated depreciation				
Buildings	68,726	56,953	---	125,679
Infrastructure	11,201	22,935	---	34,136
Machinery and equipment	<u>569,247</u>	<u>63,912</u>	<u>---</u>	<u>633,159</u>
	<u>649,174</u>	<u>143,800</u>	<u>---</u>	<u>792,974</u>
Net governmental capital assets	<u><u>\$3,774,730</u></u>	<u><u>\$4,595,340</u></u>	<u><u>\$1,758,927</u></u>	<u><u>\$6,611,143</u></u>

**CITY OF BLUFFDALE**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2005**

4. **DETAILED NOTES FOR ALL FUNDS (CONTINUED)**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Land	\$ ---	\$ 4,703	\$ ---	\$ 4,703
Water distribution system	1,345,984	617,046	---	1,963,030
Equipment	<u>60,135</u>	<u>2,815</u>	<u>---</u>	<u>62,950</u>
	<u>1,406,119</u>	<u>624,564</u>	<u>---</u>	<u>2,030,683</u>
Accumulated depreciation				
Water distribution system	524,345	59,155	---	583,500
Equipment	<u>32,935</u>	<u>7,044</u>	<u>---</u>	<u>39,979</u>
	<u>557,280</u>	<u>66,199</u>	<u>---</u>	<u>623,479</u>
Business-type activities net capital assets	<u>\$ 848,839</u>	<u>\$558,365</u>	<u>\$ ---</u>	<u>\$1,407,204</u>

In the government-wide financial statements depreciation was charged as follows by program or activity:

Governmental activities:	
General government	\$ 26,163
Public safety	57,165
Highways and public improvements	56,491
Parks and recreation	<u>3,981</u>
Total depreciation expense - governmental activities	<u>\$143,800</u>
Business-type activities:	
Water	<u>\$66,199</u>
Total depreciation expense - business type activities	<u>\$66,199</u>

**Interfund Receivable, Payables and Transfers**

At June 30, 2005, interfund balances due to or from other funds was as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Redevelopment Agency	\$144,230
Capital Projects	Water	<u>142,353</u>
		<u>\$286,583</u>

**CITY OF BLUFFDALE**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2005**

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

In addition to the above amounts which will be repaid by the respective funds, transfers were made which will not be repaid. Such amounts for the fiscal year ended June 30, 2005 were as follows:

<u>Fund Transferring Out</u>	<u>Fund Receiving Transfer</u>	<u>Amount</u>
Capital Projects	Water	<u>\$168,978</u>

Revenue Bonds

The City has issued bonds where the revenues and assets of the issuing fund are pledged as security for the bonds.

Revenue bonds outstanding at June 30, 2005 by issue are as follows: (in thousands)

<u>Bond Description</u>	<u>Original Issue</u>	<u>Annual Principal</u>	<u>Interest Rates</u>	<u>Final Due Date</u>	<u>Amount</u>
Sales Tax Series 2003	\$2,110	\$65 to \$175	5.5%	8/1/23	\$2,110
Special Improvement District Series 2004	<u>4,370</u>	\$200 to \$420	5.0% to 6.0%	12/1/19	<u>4,370</u>
	<u>\$6,480</u>				<u>\$6,480</u>

Revenue bond debt service requirements to maturity are as follows: (in thousands)

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2006	\$265	\$359	\$ 624
2007	280	344	624
2008	295	329	624
2009	305	314	619
2010	320	298	618
2011-2015	1,880	1,222	3,102
2016-2020	2,495	615	3,110
2021-2024	<u>640</u>	<u>73</u>	<u>713</u>
	<u>\$6,480</u>	<u>\$3,554</u>	<u>\$10,034</u>

**CITY OF BLUFFDALE**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2005**

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2005 was as follows: (in thousands)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due in One Year</u>
Governmental activities:					
Bonds payable:					
Special improvement district	\$3,200	\$4,405	(\$ 3,235)	\$4,370	\$200
Sales tax revenue	<u>2,110</u>	<u>---</u>	<u>---</u>	<u>2,110</u>	<u>65</u>
Total bonds payable	5,310	4,405	( 3,235)	6,480	265
Capital leases	119	---	( 29)	90	36
Vacation payable	<u>16</u>	<u>5</u>	<u>---</u>	<u>21</u>	<u>---</u>
Governmental activity long-term liabilities	<u>\$5,445</u>	<u>\$4,410</u>	<u>(\$3,264)</u>	<u>\$6,591</u>	<u>\$301</u>

The annual requirements to amortize the capital leases payable, including interest are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 35,991	\$3,721	\$39,712
2007	31,119	1,964	33,083
2008	<u>22,881</u>	<u>999</u>	<u>23,880</u>
	<u>\$89,991</u>	<u>\$6,684</u>	<u>\$96,675</u>

**CITY OF BLUFFDALE**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2005**

4. **DETAILED NOTES FOR ALL FUNDS (CONTINUED)**

**Other Information**

**Risk Management** The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries insurance through the Utah Local Government Insurance Trust for all of these risks of loss. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Expenses and claims not covered by insurance are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

Certain property owners within the City have filed a petition for disconnection of approximately one-third of the City's land area. Since the land is currently undeveloped, the immediate annual loss of property tax revenues would be insignificant. Once the land is developed, future lost revenue, which is currently unknown in amount, would be substantial if the property owners successfully disconnect. City management and legal counsel are attempting to settle the litigation and avoid the disconnect. The likelihood of settlement cannot be determined at this time.

City Management estimates that the amount of other actual or potential claims against the City as of June 30, 2005 will not materially affect the financial condition of the City.

**Redevelopment Agency** In connection with the activities of the Redevelopment Agency (RDA), incremental tax revenues totaling \$-0- were generated. The RDA was not required to pay any portion of this revenue to other taxing agencies. There is no outstanding debt of the RDA at June 30, 2005.

During the year ended June 30, 2005, funds expended by the RDA were limited to the category of administration costs. Administrative costs totaled \$28,136.

**Employee Retirement Systems and Pension Plans** The City contributes to the Local Governmental Contributory Retirement System (hereafter referred to as the Systems) which is cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (URS). The Systems provide retirement benefits, annual cost of living adjustments, death benefits, and refunds to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953, as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Systems under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. URS issues a publicly available financial report that includes financial statements and required supplementary information for the Systems.

**CITY OF BLUFFDALE**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2005**

4. **DETAILED NOTES FOR ALL FUNDS (CONTINUED)**

A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

**Funding Policy** Plan members in the Local Government Contributory Retirement System are required to contribute 3.0 percent of their annual covered salary (all or part may be paid by the employer for the employee), and the City is required to contribute 10.08 percent of its annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The City's contributions in dollars to each of the Systems for the years ending June 30, 2005, 2003 and 2002, were equal to the required contributions for each year. The contribution amounts are as follows:

	<u><b>2005</b></u>	<u><b>2004</b></u>	<u><b>2003</b></u>
Local Governmental Contributory Retirement System	\$48,865	\$35,839	\$31,196

**Deferred Compensation Plan** Under the URS, the City offers its employees a Deferred Compensation Plan (the Plan) in accordance with Internal Revenue Code Section 457. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. The payment of deferred compensation is not available to employees until termination, retirement, death, or emergency. The City's contributions to the 457 Deferred Compensation Plan were \$11,696, \$8,177 and \$7,527 for the years ended June 30, 2005, 2004 and 2003 respectively.

**Defined Contribution Plans** The 401(k) plan provided by URS is a multiple-employer defined contribution plan. All employees of the City who participate in the URS contributory, noncontributory, or public safety system are eligible to participate in the plan. Employees are immediately 100 percent vested in their contributions to the plan. Employee contributions to the 401 (k) plan and the Deferred Compensation Plan are voluntary. Employer contributions are also voluntary and are intended to standardize the contribution rates for all full time employees participating in the URS. The City's contributions to the 401 (k) plan were \$37,123, \$13,755 and \$11,750 for the years ended June 30, 2005, 2004 and 2003 respectively.

City of Bluffdale  
June 30, 2005

Combining Balance Sheet -  
Nonmajor Governmental Funds

	Special Revenue	Permanent Fund	Total Nonmajor Governmental Funds
	Redevelopment Agency	Cemetery Perpetual Care	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 343	\$ 11,500	\$ 11,843
<b>Total assets</b>	<u>\$ 343</u>	<u>\$ 11,500</u>	<u>\$ 11,843</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Due to other funds	\$ 144,230	\$ -	\$ 144,230
Accounts payable	7,091	-	7,091
<b>Total liabilities</b>	<u>151,321</u>	<u>-</u>	<u>151,321</u>
Fund balances (deficit):			
Reserved:			
Reserved for cemetery	-	11,500	11,500
Unreserved:			
Undesignated	(150,978)	-	(150,978)
<b>Total fund balances</b>	<u>(150,978)</u>	<u>11,500</u>	<u>(139,478)</u>
<b>Total liabilities and fund balances</b>	<u>\$ 343</u>	<u>\$ 11,500</u>	<u>\$ 11,843</u>



**City of Bluffdale**  
**Year Ended June 30, 2005**

**Combining Statement of Revenues, Expenditures, and Changes  
In Fund Balances - Nonmajor Governmental Funds**

	Special Revenue	Permanent Fund	Total Nonmajor Governmental Funds
	Redevelopment Agency	Cemetery Perpetual Care	
Revenues			
Interest income	\$ 167	\$ -	\$ 167
Total revenue	<u>167</u>	<u>-</u>	<u>167</u>
Expenditures:			
Current operating:			
General government	28,136	-	28,136
Total expenditures	<u>28,136</u>	<u>-</u>	<u>28,136</u>
Net change in fund balance	(27,969)	-	(27,969)
Fund balance - beginning of year	<u>(123,009)</u>	<u>11,500</u>	<u>(111,509)</u>
Fund balance - end of year	<u>\$ (150,978)</u>	<u>\$ 11,500</u>	<u>\$ (139,478)</u>

City of Bluffdale  
Year Ended June 30, 2005

Redevelopment Agency -Special Revenue Fund  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance - Budget and Actual

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Interest income	\$ -	\$ -	\$ 167	\$ 167
Total revenue	-	-	167	167
Expenditures				
General government	-	25,000	28,136	(3,136)
Total expenditures	-	25,000	28,136	(3,136)
Excess (deficiency) of revenues over (under) expenditures	-	(25,000)	(27,969)	(2,969)
Other financing sources				
Transfer in	-	25,000	-	(25,000)
Net change in fund balance	-	-	(27,969)	(27,969)
Fund balance (deficit) at beginning of year	(123,009)	(123,009)	(123,009)	-
Fund balance (deficit) at end of year	<u>\$ (123,009)</u>	<u>\$ (123,009)</u>	<u>\$ (150,978)</u>	<u>\$ (27,969)</u>

City of Bluffdale  
Year Ended June 30, 2005

Capital Projects Fund  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance - Budget and Actual

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Fees	\$ 499,717	\$ 879,717	\$ 977,094	\$ 97,377
Intergovernmental	260,723	260,723	-	(260,723)
Interest	-	8,000	66,793	58,793
Miscellaneous	-	129,732	-	(129,732)
Total revenues	<u>760,440</u>	<u>1,278,172</u>	<u>1,043,887</u>	<u>(234,285)</u>
Expenditures				
Capital outlay	1,198,500	1,716,232	401,422	1,314,810
Debt service	-	-	144,852	(144,852)
Total expenditures	<u>1,198,500</u>	<u>1,716,232</u>	<u>546,274</u>	<u>1,169,958</u>
Excess of revenues over expenditures	(438,060)	(438,060)	497,613	935,673
Other financing sources (uses)				
Bond proceeds	67,460	67,460	-	(67,460)
Transfers in (out)	370,600	370,600	(168,978)	(539,578)
Total other financing sources	<u>438,060</u>	<u>438,060</u>	<u>(168,978)</u>	<u>(607,038)</u>
Net change in fund balance	-	-	328,635	328,635
Fund balance at beginning of year	<u>2,861,459</u>	<u>2,861,459</u>	<u>2,861,459</u>	-
Fund balance at end of year	<u>\$ 2,861,459</u>	<u>\$ 2,861,459</u>	<u>\$ 3,190,094</u>	<u>\$ 328,635</u>

# Hansen, Bradshaw, Malmrose & Erickson

A Professional Corporation

CERTIFIED PUBLIC ACCOUNTANTS

559 West 500 South  
Bountiful, Utah 84010  
801-296-0200  
Fax 801-296-1218

## REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Mayor and City Council  
City of Bluffdale, Utah

We have audited the basic financial statements of the City of Bluffdale, Utah as of and for the year ended June 30, 2005, and have issued our report thereon dated November 16, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance** As part of obtaining reasonable assurance about whether the City of Bluffdale, Utah's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the City of Bluffdale, Utah in a separate letter dated November 12, 2005.

**Internal Control Over Financial Reporting** In planning and performing our audit, we considered the City of Bluffdale's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. Other comments and observations have been reported to management of the City in a separate letter dated November 16, 2005.

E. Lynn Hansen, CPA  
Clarke R. Bradshaw, CPA  
Gary E. Malmrose, CPA  
Edwin L. Erickson, CPA

Michael L. Smith, CPA  
Jason L. Tanner, CPA  
Rick Lifferth, CPA

Members of the  
American Institute  
of Certified Public  
Accountants

Members of the  
Private Company  
Practice Section

This report is intended for the information and use of management, the City Council and others within the organization, and federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Hansen, Bradshaw, Malmrose & Erickson, P.C.*

November 16, 2005

# Hansen, Bradshaw, Malmrose & Erickson

A Professional Corporation

CERTIFIED PUBLIC ACCOUNTANTS

559 West 500 South  
Bountiful, Utah 84010  
801-296-0200  
Fax 801-296-1218

## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON LEGAL COMPLIANCE IN ACCORDANCE WITH THE STATE OF UTAH LEGAL COMPLIANCE AUDIT GUIDE

Major and City Council  
City of Bluffdale, Utah

We have audited the basic financial statements of the City of Bluffdale, Utah for the year ended June 30, 2005 and have issued our report thereon dated November 16, 2005. As part of our audit, we have audited the City's compliance with the requirements governing types of services allowed or unallowed; eligibility; reporting; and special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2005. The City received the following major State assistance program from the State of Utah:

### B & C Road Funds (Department of Transportation)

Our audit also included test work on the City's compliance with those general compliance requirements identified in the *State of Utah Legal Compliance Audit Guide*, including:

- Public Debt
- Cash Management
- Purchasing Requirements
- Budgetary Compliance
- Truth in Taxation and Property Tax Limitations
- Liquor Law Enforcement
- Justice Courts Compliance
- B and C Road Funds
- Other General Compliance Issues
- Building Permit Surcharge

The management of the City is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

E. Lynn Hansen, CPA  
Clarke R. Bradshaw, CPA  
Gary E. Malmrose, CPA  
Edwin L. Erickson, CPA

Michael L. Smith, CPA  
Jason L. Tanner, CPA  
Rick Lifferth, CPA

Members of the  
American Institute  
of Certified Public  
Accountants

Members of the  
Private Company  
Practice Section

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying schedule of findings. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, the City of Bluffdale, Utah, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2005.

*Hansen, Bradshaw, Malmrose & Erickson, P.C.*

November 16, 2005

**BLUFFDALE CITY**  
**Schedule of Findings**  
**Year Ended June 30, 2005**

Requirement/Program

Current Year Findings

1. Budgetary Compliance

Finding: State law required that officers and employees of an entity shall not incur expenditures or encumbrances in excess of the total appropriation for any department. For the year ended June 30, 2005, expenditures exceeded budgeted amounts in the following departments:

<u>Fund</u>	<u>Department</u>	<u>Amount Over Budget</u>
General	Streets and Public Works	\$ 3,926
General	Parks and Recreation	9,275
General	Garbage	16,697
SID Special Revenue	General Government	55,292
Redevelopment Agency Special Revenue	General Government	3,136

Recommendation: The City should monitor the status over expenditures as compared to the budget throughout the year.

Management's response: Additional staff has been hired to assist in tracking expenditures throughout the year. The City will monitor the status of expenditures as compared to budget throughout the year and make adjustments as necessary.

2. State Surcharge Report

Finding: State law requires the State Surcharge report be filed by the 10th of each month. In ten of the twelve months, the report and related funds were filed late.

Recommendation: We recommend the Court Clerk generate the report timely and request a hand write check, if needed, from accounting in order to ensure the report is filed timely.

Management's Response: The Court Clerk will report to management by the 5th of every month the status of the report and submit the appropriate payment, along with the report prior to the 10th of each month.



**BLUFFDALE CITY**  
**Schedule of Findings**  
**Year Ended June 30, 2005**

**Requirement/Program**

**Current Year Findings**

**3. Building Permit  
Surcharge Report**

**Finding:** State law requires a quarterly surcharge report for building permit fees be filed within 30 days following the end of each quarter. For the 2nd and 3rd quarters of the fiscal year, the reports were filed late.

**Recommendation:** We recommend appropriate follow-up to ensure the reports are filed timely.

**Management's Response:** The Clerk will file the appropriate report within 30 days of the end of each quarter. An additional employee will be assigned to verify, and if needed, submit the report prior to the deadline.

**4. Fidelity Bond**

**Finding:** State law requires the City treasurer to be bonded at a specified amount, based on the City's budgeted gross revenues. The treasurer is currently covered by a fidelity bond for \$170,000, this coverage should be increased to approximately \$300,000.

**Recommendation:** We recommend increasing the coverage fidelity bond to the statutory requirement.

**Management's Response:** The treasurer bond has been increased to \$300,000.



---

## BLUFFDALE CITY

14350 South 2200 West • BLUFFDALE, UTAH 84065 • (801) 254-2200 • FAX (801) 253-3270

April 6, 2006

Mr. MacRay A. Curtis CPA  
Office of the State Auditor  
Utah State Capital Complex  
East Office Building, Suite E310  
PO Box 142310  
Salt Lake City, Utah 84114-2310

Dear Mr. Curtis:

I am in receipt of your memorandum dated March 3, 2006 concerning Bluffdale City's delinquent corrective action plan for the year ended June 30, 2004. As a note, I did not receive your letter dated January 25, 2006 as an initial receipt.

Listed below is the corrective action plan submitted for the Fiscal Year 2004. Staff took the steps listed below to more accurately calculate the year end budget adjustments. Staff felt that the steps listed would appropriately solve any budgetary compliance issues; however, additional measures have and are being put in place to solve any further budgetary noncompliance.

*The following is a corrective action plan submitted as per your request:*

*Vendors who provide contract services for the city will be contacted prior to the final budget amendments for the year end to give an estimate of final year-end invoice amount and timing of the invoice. This should give city staff a more accurate final invoice amount from which to calculate the year-end budget adjustments.*

*The budget finding for the Sanitation Department will be addressed by the above mentioned steps.*

*The reorganization of several of the City's funds within its computer system and individual line item accounts has been implemented to reflect the proper accounts for the one SID accounted for in the city. Mislabeling of the fund in the computer system did not alarm staff to the year end budget adjustments that needed to be made. Those errors have been corrected.*

In addition to the action plan listed above, the city has taken the following steps and plan: As listed in Bluffdale's financial report, additional staff has been hired in the accounting department to assist in more accurately tracking of encumbered funds. In addition Bluffdale is in the process of acquiring a purchase order module to for its finance system to assist in accounting for encumbered funds down to the line item detail. Both of these actions, in addition to 2004s action plan will produce budgetary compliance.

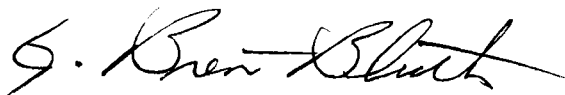
This action will be completed and in place before June 30, 2006. The lead staff member will be Brent Bluth and additional responsible staff members will be Ms. Rebecca Richins and Ms. Terri Bawden.

During FY 2006-07 budgetary processes, staff will assure that the fund balance does not exceed statutory limits and any excess is appropriately budgeted. Mr. Bluth, Ms. Richins and Ms. Bawden will assure compliance prior to June 30, 2006.

I will contact the City's auditors to assure that compliance with deposits and investments note will comply with GASB Codification for future financial statements. This will be completed prior to June 30, 2006.

We appreciate the opportunity to respond to the concerns from the State Auditor and assure full compliance with state laws. Feel free to contact my self with any questions or concerns.

Sincerely,

A handwritten signature in cursive script, appearing to read "Brent Bluth".

Brent Bluth, Administrative Services Director  
Bluffdale City

CC: Claudia Anderson, Mayor  
Hansen, Bradshaw, Malmrose & Erickson  
Rebecca Richins, Accounting Technician  
Terri Bawden, Accounting Clerk